

REFUSES TO PROVIDE INFORMATION, AND FOR WHOM THE FIRMS DO NOT OTHERWISE HAVE INDEPENDENTLY VERIFIED INFORMATION SUFFICIENT FOR THE SUITABILITY DETERMINATION.

c. Account opening rules

The existing suitability rules require that a brokerage firm ask its customers for certain information and use the information obtained, along with any other information known about the customer, in determining whether recommended options transactions are suitable for that customer. In an attempt to assure that such information is obtained and used, all the options exchanges have adopted rules which require that before a customer is permitted to trade options, his brokerage firm must make an initial determination that listed options trading is not unsuitable for him.

The CBOE's "know your customer" rule is a typical options exchange account opening rule. It requires that suitability information be obtained, recorded, and used by a brokerage firm in determining whether to approve the account for options trading:

In approving a customer's account for options transactions, a member organization shall exercise due diligence to learn the essential facts as to the customer, his investment objectives, financial situation and needs. A record of this information shall be maintained by the member organization and, based upon such information, a Registered Options Principal who is an officer or partner of the member organization shall approve in writing the customer's account for options transactions.... 24 /

24/ Rule 9.7(b), CBOE GUIDE (CCH) ¶ 2307.